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# MULTINATIONAL BUSINESS: NEW APPROACHES TO FINANCING AND STRUCTURING VENTURES

by Lewis D. Solomon\*

## I. INTRODUCTION

**M**ULTINATIONAL AGRIBUSINESS CORPORATIONS possess a considerable body of expertise, including managerial, technical and marketing skills. These businesses also enjoy ready access to capital resources. Third World nations face a variety of critical tasks in feeding their population including increasing the output of food (crops, meat and fish) to achieve a greater degree of self-sufficiency, fighting crop and animal diseases and reducing the loss and waste of food. In addition to satisfying their food needs and seeking balanced developmental programs, Third World countries strive to fulfill some or all of the following objectives: increasing employment, improving the distribution of income and land, reducing (or at least minimizing the gain in) energy consumption, and pursuing ecologically sound development paths.

The image (and the reality) of corporate exploitation, the skewing of developmental priorities, and the adversarial confrontation between Third World nations and industrialized countries, characterized by producing nations attempting to stabilize and raise the prices of raw materials, creates a multitude of tensions between developing countries and multinational corporations. The profit-making objectives of multinational corporations have, in the past, conflicted with the development goals of Third World countries.

There are numerous "horror" stories illustrating the clash between the profit motive of business and the social goals of Third World nations. The manufacturers of farm inputs, such as tractors and agricultural chemicals, have had an interest, as one American corporate executive candidly admitted, in a nation's wealthy agricultural sector. He noted: "We benefit the wealthy landlords and the ruling class."<sup>1</sup> Multinational firms skew a country's developmental priorities, such as redistribution of in-

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<sup>1</sup> Because of the candid and extremely sensitive nature of the in-depth interviews with executives of multinational agribusiness firms, certain statements in this article will not be attributed to specific individuals or firms.

come. Absent stringent governmental regulation, small farmers generally fail to benefit from the new technology introduced by multinational agribusiness giants. Multinational corporations may also divert crops to the production of animal feed thus reducing the total amount of the already scarce protein supply available for human consumption. This impacts particularly upon a nation's poor.<sup>2</sup> The growing of crops for export to the table of the world's elite, as part of a multinational contract production scheme, probably will force a developing country to expend scarce foreign exchange to import basic foodstuffs—wheat, rice and corn.

The cornucopia of the consumer society heralded by multinational business poses other problems for a developing country. Firms have successfully promoted, through advertising campaigns, food products such as soft drinks which provide little, if any, nutritional value yet drain disposable income of individuals who can ill afford to waste money.<sup>3</sup> Food or beverages developed for richer consumer-oriented societies may displace more nutritious, traditional foods, especially among lower income consumers. Bottle formula for infants is expensive in terms of a nation's average earning power. It also creates severe health hazards among the poor. The probability of over-dilution of the formula to stretch utilization produces an inadequacy of nutrients. The serving of contaminated formula in bacteria-laden bottles led one organization to identify infant milk formula as a "baby killer" in developing nations.<sup>3.1</sup> Detailing such

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<sup>2</sup> For example, the poultry feed activities of Ralston Purina in Columbia diverted land from the cultivation of pulses to animal feed crops thereby decreasing the ability of Columbia to meet its domestic protein requirements. R. LEDOGAR, *HUNGRY FOR PROFITS, U.S. FOOD & DRUG MULTINATIONALS IN LATIN AMERICA* 94-98 (1975). CPC International Inc. collaborated with the U. S. and Pakistan governments to raise the yields of corn in Pakistan. Yields were increased through the introduction of new inputs, such as seeds, fertilizer, and furnishing of technicians, but CPC processed corn into corn sweetener for soft drinks consumed by urban middle and upper classes. *See generally*, Harvard Business School, Rafham Maize Products Co. Ltd. Case (1-576-237).

<sup>3</sup> R. LEDOGAR, *HUNGRY FOR PROFITS, U. S. FOOD & DRUG MULTINATIONALS IN LATIN AMERICA* ch. 8 (1975); P. BARNET & R. MULLER, *GLOBAL REACH, THE POWER OF THE MULTINATIONAL CORPORATIONS* 182-184 (1974).

<sup>3.1</sup> R. LEDOGAR, *HUNGRY FOR PROFITS, U. S. FOOD & DRUG MULTINATIONALS IN LATIN AMERICA* ch. 9 (1975). *See also* Jelliffe, *Commerciogenic Malnutrition?* 30 *NUTRITION REVIEWS* 199 (1972); Wade, *Bottle Feeding: Adverse Effects of a Western Technology*, 184 *SCIENCE* 45 (1974); Helsing, *The Uses and Abuses of Baby Food*, 8 *CERES* 57 (1975). The promotional efforts used by infant milk formula firms include: milk nurses who visit new mothers in hospital maternity wards and in their homes; milk banks which sell infant milk in hospitals and clinics at discount prices to poverty group mothers, and promotion by health professionals in health institutions through a variety of means including posters, baby care pamphlets, vaccination cards, and the use of formula in hospitals. *See generally* Ted Greiner, *The Promotion of Bottle Feeding by Multinational Corporations: How Advertising and the Health Professions Have Contributed*, CORNELL INTERNATIONAL NUTRITION MONOGRAPH SERIES No. 2 (1975).

corporate "horror" stories is not, however, the purpose of this article.

Rather, the inquiry is whether it is possible to channel the expertise of multinational agribusiness corporations into projects providing social benefits to developing nations. Two routes appear viable. First, private expertise, in fields such as technology, know-how, management, and marketing, could be fused with public sector financing capabilities to meet the needs of the Third World. This is the so-called "triangulation strategy." Second, either apart from or in conjunction with public sector financing, a systems approach to large scale multi-function development projects involving a consortium of firms could be utilized. The systems technique and consortium approach grow out of the awareness that no one corporation may want to or be able to provide all the requisite expertise or to handle the implementation of a project by itself.

## II. NEW APPROACHES TO STRUCTURING VENTURES IN THE THIRD WORLD

Multinational corporations have grown more flexible in structuring their activities in Third World countries. In the past, agribusiness firms emphasized two strategies: (1) owning large tracts of land, so-called plantations or estates, in developing nations to grow crops for export, primarily to developed countries and (2) funneling foreign direct investment (apart from the growing of agricultural produce) through wholly owned and controlled subsidiaries in Third World countries. With respect to the first strategy, as part of an emerging awareness by developing nations of the value of their natural resources and an increasing availability of information regarding the impact of multinational firms engaged in raw material exploitation, including agricultural crops, governments rejected foreign ownership of plantations. The plantation system was perceived as creating economic, social and political obstacles to development.<sup>4</sup> Land

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<sup>4</sup> The major economic obstacles include: (1) inequality in the distribution of wealth and income; (2) reduction in the supply of funds available for reinvestment because of remittance of interest and dividends; (3) the rigid canalization of linkages and the thwarting of development production, for example, the foregoing of livestock production; (4) the low skill nature of plantation labor which inhibits the improvement of labor inputs or the creation of skills useful in other sectors; (5) the utilization of payments for imported capital goods and consumer goods, especially imported food, which rebound to the advantage of countries from which the goods are imported and plantation economies facing a perpetual balance of payment problem stemming from declining terms of trade; and (6) resources which are not deployed to higher-income generating activities. Social and political obstacles to development emanating from the impact of a plantation economy include: (1) a rigid social structure inhibiting human mobility; (2) a correlation between race and class creating a caste system and generating social tension and inability; (3) the planters and their associate groups utilize their power to serve the interests of a small elite group; (4) an authoritarian tradition preventing co-operative, participative decision-making at work, in politics and society; (5) individualism contributing to clashes of interest in interpersonal relations; (6)

came to be regarded as a national patrimony which should be locally owned—either privately or in the hands of the state. As a wave of nationalism swept across the Third World, at least with regard to land ownership, multinational firms were forced to abandon their extensive landholdings. Firms were not permitted to own plantations, which in any event, even before nationalization, were regarded as captive because of governmental policies which increased wages, fixed selling prices and controlled export prices.<sup>5</sup>

Sophisticated firms with expertise in tropical crops, such as sugar, gained through previous ownership of plantations, turned to a variety of techniques to turn their knowledge into a new corporate profit-making center. Leading multinational sugar companies, typified by the English-based firms, Booker McConnell, and Tate & Lyle, pursued a similar pattern of establishing consulting arms, including agricultural, technical and engineering services. In addition to setting up sugar estates, managing sugar growing and processing operations on a contractual basis, these firms engage in a variety of consulting activities outside the field of sugar. Booker McConnell and Tate & Lyle also diversified into the construction of agricultural machinery.<sup>6</sup>

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weak community structure and loose family organization preventing the growth of viable local governmental units; (7) a "great house" value system emphasizing the consumption of imported luxuries and the investment in nonproductive assets. G. L. BECKFORD, *PERSISTENT POVERTY UNDERDEVELOPMENT IN PLANTATION ECONOMIES OF THE THIRD WORLD* 213-217 (1972). See also Watters, *Sugar Production and Culture Change in Fiji—A Comparison Between Peasant and Plantation Agriculture*, 4 *PACIFIC VIEWPOINT* 25 (1963). Among the last plantation system holdouts is Gulf & Western Industries Inc. which has extensive sugar holdings in the Dominican Republic. Riding, *The Carribean Role of G. & W.*, N.Y. Times, June 24, 1975, at 47, col. 1; Riding, *Balaquer and His Firm Ally, the U.S., are Targets of Dominican Unrest*, N.Y. Times, June 6, 1976, at 6, col. 3.

<sup>5</sup> Interview with Sir George Bishop (May 4, 1976). In an attempt to stave off nationalization, Booker McConnell responded to changing political and nationalistic sentiment in Guyana by adopting a wide-ranging corporate responsibility program. Litvak & Maule, *Foreign Corporate Social Responsibility in Less Developed Countries*, 9 *J. WORLD TRADE L.* 121 (1975). Guyana nationalized the sugar holdings of Booker McConnell in May, 1976. Chamberlain, *Guyana Takes Over Bookers*, Manchester Guardian, June 6, 1976, at 8; *BOOKER MCCONNELL LTD., REPORT AND ACCOUNTS*, 8-9 (1975). J. Thompson, Managing Director of Brooke Bond Liebig, Ltd., provided an interesting commentary on the ownership and operation of tea plantations in Sri Lanka prior to nationalization. He stated that the plantation operations had been losing money for 10 years. The company faced what he categorized as an "intolerable situation" because plantations came under the jurisdiction of three different ministries. Because of inter-ministry conflicts, the plantations exported two types of tea in the face of a growing worldwide movement for uniformity. Interview, J. Thompson (May 3, 1976).

<sup>6</sup> Interviews with Sir George Bishop, Chairman, Industry Cooperative Program (May 4, 1976); J. F. P. Tate, Director, Tate & Lyle Ltd. (May 5, 1976). See also *BOOKER MCCONNELL LTD., REPORT AND ACCOUNTS* 13, 39, 43 (1975); *BOOKER IN AGRICULTURE; TATE & LYLE LTD. ANNUAL REPORT* 9-10 (1975); *TATE & LYLE LTD., A COMPANY AND ITS WORLD; TATE & LYLE*

The example of Booker McConnell in Kenya is illustrative of the trend to the redeployment of expertise. After taking over the ownership of land, many governments came to realize the complexities of growing and processing sugar. The government of Kenya, facing troublesome difficulties with a nationalized sugar estate, asked Booker McConnell with a worldwide reputation for expertise in sugar growing and processing, for advice. The advisory relationship blossomed into Booker McConnell managing the estate. When government of Kenya then decided to look for new areas to be planted with sugar, it asked Booker McConnell to prepare a feasibility study and pilot project. This effort by Booker McConnell culminated in the development of the Mumias plantation. The estate project combines, by contract, the management skills of a multinational firm with the resources, the land, and the manpower of a developing country. Booker McConnell presently manages and provides technical advice for the Mumias project.<sup>7</sup>

Beyond the direct growing of agricultural produce, agribusiness firms have shifted their approach to structuring ventures involving the processing of agricultural products. Under governmental pressure to increase local ownership and management and "disassemble the package," that is, separate the organization, management, technology and access to markets, from foreign capital, firms responded with a variety of new business arrangements including joint ventures, minority investments, management and operating contracts, licensing agreements, and consulting arrangements. The focus by developing countries on shifting the ownership position held by multinational enterprises may obscure the effort of global entities to maintain control over foreign ventures in which they participate.

In a typical situation, a French firm, Pien & Glasson, established a joint venture for meat processing in Brazil, including a slaughter-house for sheep and cattle and cold storage facilities to be used by the joint

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LTD., ENGINEERING. The diversification of Booker McConnell and Tate & Lyle into agricultural machinery preceded the nationalization of their landholdings. BOOKER MCCONNELL LTD., REPORT AND ACCOUNTS 13 (1975); TATE & LYLE LTD., ENGINEERING. Consulting arrangements may involve reimbursement for time and knowledge of a firm's experts, a disclosure fee for the sale of knowledge, and possibly equity sweeteners priced in terms of what a firm's competitors would charge and what it would cost a local group (public or private) to acquire the expertise. The difficulties in negotiating a consulting contract should not be minimized as clients often underestimate the value of knowledge inputs into operations. Interviews with Guy Knapton, Coordinator, New Business Development, CPC Europe, Ltd. (May 10, 1976); Dr. A. Goedhart, Managing Director, Verenigide H. V. A. Maatschappijen N.V. (May 12, 1976).

<sup>7</sup> Interview with Sir George Bishop (May 4, 1976); BOOKER MCCONNELL LTD., SUGAR FROM MUMIAS; COMMONWEALTH DEVELOPMENT CORP., REPORT AND ACCOUNTS 81 (1975). Booker McConnell holds a 5% equity interest in the Mumias project. BOOKER MCCONNELL LTD., REPORTS AND ACCOUNTS 39 (1975).

venture and others. Pien & Glasson had a thirty percent equity interest with a private Brazilian investor holding the remainder. In addition to its role as an investor, Pien & Glasson also provides technical assistance, including an engineer who planned the plant, ordered equipment and supervised construction; a managing director with commercial and marketing expertise for the operation; and another individual with technical expertise in meat processing. It is also expected that the joint venture, using Pien & Glasson as a marketing outlet, will sell exports to and through the French firm. The allocation of decision-making in the joint venture is important. Major decisions, such as investments, export products and the use of the cold storage facility, are jointly made by the President of Pien & Glasson and the President of the Brazilian partner in the joint venture. Another Brazilian, who is the nominee of the Brazilian joint venture partner, serves as Chairman of the Board and handles the administrative organization of the operation. A French managing director designated by Pien & Glasson supervises daily management of the venture including commercial and technical operation.<sup>8</sup>

### III. TAPPING PUBLIC SECTOR FINANCING

Multinational firms are cognizant of the risks and uncertainties attendant in foreign direct investment, such as nationalization, a limitation on the repatriation of profits, and exchange controls. Thus they seek to reduce further their risks by fusing their expertise with public sector financing. Tapping public funds, provided by a regional development bank, such as the Inter-American Development Bank, or a national agency of a developed country such as the United Kingdom's Commonwealth Development Corporation, reduces or obviates the need for a firm to invest capital—an asset in increasingly short supply. Funds from public sector national and regional development banks may be joined with private sector expertise. Public sector organizations may also assist in the implementation of a project.

The construction of a powder milk plant in Nicaragua illustrates the possibilities for beneficial cooperation between a private multinational corporation, Nestle,<sup>9</sup> a public sector regional development bank, the In-

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<sup>8</sup> Interview with J. LeBlanc, Pien & Glasson (May 14, 1976). Substantial funds, in the form of debt instruments, were provided by a Brazilian regional development bank, with the Government of Brazil and the World Bank then refinancing the loan. The venture faces two difficulties: (1) a supply problem caused by a lack of a sufficient quantity of cows in Brazil; and (2) a quality problem because Brazilian cattle are regarded as "too fat" by French standards thereby permitting only the exportation of beef and pork cuts, not carcasses, and delicatessen products.

<sup>9</sup> In developing countries, Nestle tries, when possible, to establish wholly owned milk processing plants. This form of ownership gives Nestle full control over a project. If a developing country forces Nestle to establish a joint venture, Nestle insists on retaining manage-

ter-American Development Bank, local dairy farmers, as well as local and regional public and private sector investors.<sup>10</sup> The venture created out of this agribusiness package consists of a series of apparently unrelated inputs—a livestock loan, an industrial credit line to finance the hardware, an access road project and the “integration industry” provisions of the Central American Common Market. Share ownership primarily rested in Nestle (thirty-one percent) and a national institution financially dependent on the Nicaraguan government, the Instituto do Fomento Nacional (Infonac) (fifteen percent). The balance was held by private investors from Nicaragua and other countries of the Central American Common Market, the Stock-Breeders Association of Nicaragua and a Nicaraguan financial institution. The Inter-American Development Bank granted a loan to Infonac for the importation of machinery and equipment used in constructing the factory, and an agricultural development loan to the government of Nicaragua for the construction or improvement of roads in the local milk producing district. The Inter-American Development Bank also made available funds to the government for pre-feasibility and feasibility studies. The Nicaraguan government undertook to build a system of roads linking the farms and the factory thereby facilitating the collection of milk. The government also advanced funds for the purchase of cows and the improvement of grazing and milking methods.

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ment responsibility and quality control. Interview with Guy Altwegg, Nestle Alimentana S. A. (May 18, 1976).

<sup>10</sup> Interview with Frank Meissner, Inter-American Development Bank (June 4, 1976); See also speech by Frank Meissner, Role of Development Banks in Structuring and Implementing Agricultural Projects in Proceedings, The International Food Delivery Systems Symposium, University of California at Berkeley 44 (Sept. 1975); Nestle Alimentana S. A., Nestle in the Developing Countries, 66-67 (1975); W. FRIEDMANN & J. BEGUIN, JOINT INTERNATIONAL BUSINESS VENTURES IN DEVELOPING COUNTRIES; CASE STUDIES AND ANALYSIS OF RECENT TRENDS ch. 6 (1971).

The International Finance Corporation, an affiliate of the World Bank, which finances the growth of private enterprises in developing nations, has been involved in projects utilizing private sector expertise of firms from developed nations. THE WORLD BANK GROUP, WASHINGTON, D.C., WORLD BANK, POLICIES AND OPERATIONS 78 (Sept. 1974). See also, ARTICLES OF AGREEMENT OF THE INTERNATIONAL FINANCE CORPORATION, Art. I. (June 20, 1956). Most notable is the Bud Senegal venture for production of winter fruits and vegetables for export from Senegal to Europe. The financing was provided by the Government of Senegal, the International Finance Corporation, a Dutch mixed private-public sector financing organization (FMO), a private sector financing group for Africa (SIFIDA), and the Western European private firm, the House of Bud.

The House of Bud originally controlled the management of the venture, but the firm now handles only technical management as the venture has a Senagalese president. The House of Bud has retained exclusive marketing rights in Europe. Other International Finance Corporation agribusiness projects involving private expertise from firms in developed countries include sugar projects in Tanzania and Ethiopia and a cotton seed crushing mill in Nigeria. Interview with Walter Cohn, International Finance Corporation (June 3, 1976).



Nestle, in addition to its equity interest, provided technical and administrative know-how to the farmers at the same time it assisted in the construction and the operation of the factory. Nestle also licensed its name and trademark to the venture. The structure of the board of directors and the approval requisite for board decisions gave Nestle a *de facto* veto power. Nestle extended its control over the day-to-day management of the company with the right to designate main corporate officers and to act as exclusive marketing agent for the plant. This permitted benefits to flow to Nestle in several forms: dividends on its equity investment which had been highly leveraged as a result of IDB loans and funds provided by the Nicaraguan government; a commission as selling agent; and income from licensing its name and trademark for each pound of milk powder produced. The success of the project meant an enterprise was now capable of supplying the countries of the Central American Common Market with a basic consumer product—powdered milk, which previously had been imported. Additional favorable consequences included the opening of profitable outlets for milk produced by farmers, the construction of the requisite infrastructure, and employment in the plant.

Governmental agencies located in developed countries in conjunction with public sector funds made available by developing countries have been active in financing agribusiness projects. Among the most instrumental has been the Commonwealth Development Corporation, a British public corporation created and funded by the British Treasury, and with its Chairman, Deputy Chairman, and board of directors, appointed by the Minister of Overseas Development of the United Kingdom. The Commonwealth Development Corporation invests funds in the development of renewable resources of Third World countries inside and outside of the British Commonwealth. The Commonwealth Development Corporation has pioneered in creating structures involving private business firms in the agribusiness ventures by using a variety of investment methods such as wholly owned projects, equity and debt investment in partially owned firms, loans to government and public bodies, and project patterns, particularly in conjunction with participation by local citizens.<sup>11</sup>

For example, on the Mumias project in Kenya, the majority shareholder is the Kenya Government. Other public sector equity holders include East African Development Bank, Kenya Commercial Finance Co., and the Commonwealth Development Corp. Booker McConnell provided

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<sup>11</sup> Interview with A. D. Wadey, Commonwealth Development Corporation (May 3, 1976); COMMONWEALTH DEVELOPMENT CORP., PARTNERS IN DEVELOPMENT FINANCE PLUS MANAGEMENT (1975); COMMONWEALTH DEVELOPMENT CORP. REPORT AND ACCOUNTS 9-12 (1975). The Commonwealth Development Corp. provides management for many of its projects and appoints and trains local individuals to assume responsible management posts. COMMONWEALTH DEVELOPMENT CORP. REPORT AND ACCOUNTS 9 (1975).

only five percent of the equity funds. Loans and advances were provided by the Kenya Government, Kenya Commercial Finance Co. Ltd., Commonwealth Development Corporation and the private Barclays Bank International Ltd.<sup>12</sup> Another collaborative effort involving a private firm includes the Zambia Sugar Co. Ltd. The Commonwealth Development Corporation provided equity and debt funds with Tate & Lyle, Ltd., also a shareholder, furnishing management and technical consulting services.<sup>13</sup>

Public sector national and regional development bank funds may also be fused with the expertise of private enterprise, for example, to tap the forest resources in Honduras. The venture will double the foreign exchange earnings of Honduras and lessen its dependency on the export of bananas. Financing sources include the Venezuelan Investment Fund (in which Venezuela sets aside payment for oil in excess of six dollars a barrel by five Central American countries for development loans to these countries) and the Inter-American Development Bank. Funds from the Venezuelan Investment Fund will provide the initial capital, with the infra-structure highway and port facilities funded by the Inter-American Development Bank. Private investors and the government of Honduras will provide the remaining capital for the pulp and paper plant and saw mills. The venture will enter into a technical assistance contract with a foreign private corporation which will be selected to supervise the project and provide management and expert advice.<sup>14</sup>

The emerging triangulation strategy links the management, technological and marketing expertise of global firms with third party financial support. Increasingly, multinational firms will conceive, implement and manage undertakings financed by a variety of public sector financial sources including the World Bank, the International Finance Corporation, national organizations in industrialized nations, regional development sources in the developed world such as the European Fund for Development, regional development banks such as the Inter-American Development Bank, and financial resources available from OPEC nations.

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<sup>12</sup> COMMONWEALTH DEVELOPMENT CORP., REPORT AND ACCOUNTS 81 (1975); Interview with Sir George Bishop, Chairman, ICP (May 4, 1976). Alongside the nucleus estate and factory at Mumias, the Commonwealth Development Corp. and the Government of Kenya are providing funds for a scheme involving small farmers, so-called "outgrowers." COMMONWEALTH DEVELOPMENT CORP., REPORT AND ACCOUNTS 81 (1975).

<sup>13</sup> COMMONWEALTH DEVELOPMENT CORP. REPORT AND ACCOUNTS 91 (1975); Interview with J. F. P. Tate, Director, Tate & Lyle Ltd., (May 5, 1976). As part of a Nigerian project for an irrigated sugar estate with a factory and refinery, the Commonwealth Development Corp. has provided equity and interim financing. CDC will serve as investment coordinator for the project and provide management and other services to the Nigerian Company sponsoring the project. Bookers Agricultural and Technical Services Ltd. is providing consultation services in connection with the design and construction of the factory. COMMONWEALTH DEVELOPMENT CORP., REPORT AND ACCOUNTS 105 (1975).

<sup>14</sup> de Onis, *Honduras Sets Up Forestry Project*, N.Y. Times, 1976, at 43, col. 6.

The development of linkages by industry, either directly or through intermediary organizations, to the World Bank is particularly significant in view of the Bank's present and projected financial resources<sup>15</sup> and its ability to shape the development policies of other agencies. In emphasizing the economic progress of developing nations, the World Bank makes loans to member governments or to public or private organizations which obtain the guarantee of the government where the project to be financed is located.<sup>16</sup> After initially concentrating on the funding economic infrastructure, including power generation and transmission, the Bank has begun to finance social projects in the fields of health, population control, education and development.<sup>17</sup>

Except in special circumstances, the World Bank lends funds for specific projects based on an analysis consisting of feasibility studies, an appraisal by a Bank staff mission and the use of consultants. The Bank also produces annual and biannual reports on many member countries' economic conditions and development policies and problems. These, together with the Bank's forecasts, give a country the Bank's perception of how things are going. The country studies are supplemented by more detailed analyses of separate economic sectors in a nation which assess areas to which the Bank could direct funds. These sector studies identify the types and the location of specific projects for implementation. To assist the Bank's management in reaching loan decisions, the Bank's country program annually reviews individual countries and makes a case for investment projects in a specific sum.<sup>18</sup>

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<sup>15</sup> The World Bank has accounted for about two-thirds of total agricultural commitments by multilateral development agencies (European Economic Community, Inter-American Development Bank, African Development Bank, Asian Development Bank, United Nations Development Program, World Food Program) and nearly 40% (including bilateral aid from developed nations) of all traditional donors. Consultive Group on Food Production and Investment in Developing Countries 2d mtg., Feb. 10-12, 1976; Provisional Agenda, Document D—Analysis of Resource Flows to Developing Countries in the Field of Agriculture—Progress Report (FPI/76/1-5) 5 & Table 2 at 11 (Nov. 25, 1975).

<sup>16</sup> THE WORLD BANK, QUESTIONS AND ANSWERS 11 (March, 1976).

<sup>17</sup> The new thrust of the Bank emanates from the Nairobi speech of Robert S. McNamara, President, World Bank Group, September 24, 1973. Excerpts from the Nairobi speech are reprinted in THE WORLD BANK, THE ASSAULT ON WORLD POVERTY PROBLEMS OF RURAL DEVELOPMENT, EDUCATION AND HEALTH (1975) Annex 15, 90-98. The prime aim is to increase the productivity of the poor, specifically small farmers, so that by 1985 their output will grow by 5% per year. Address to the Board of Governors, Robert S. McNamara, President, World Bank Group, Washington, D.C., 2-3 (Sept. 30, 1974). See also THE WORLD BANK, QUESTIONS AND ANSWERS 24-31 (March 1976), and Robbins, *World Bank to Expand Aid for Poorest in Rural Areas*, N.Y. Times, March 9, 1975 at 1, col. 2.

<sup>18</sup> Interview with Donald Pickering, World Bank (June 3, 1976); THE WORLD BANK QUESTIONS AND ANSWERS 15-16 (March, 1976) at; THE WORLD BANK GROUP, POLICIES AND OPERATIONS 46-47 (Sept., 1974). For a discussion of project analysis and loan decision-making see THE WORLD BANK, QUESTIONS AND ANSWERS 16 (March 1976); THE WORLD BANK

Through its financial leverage, the World Bank may bring pressure on developing nations for the adoption of policies unconnected with its projects. In theory and to some extent in practice, the Bank achieves what it perceives as "improvements" in the policies of a borrowing country through discussion, particularly the dialogue between the Bank's staff and the representatives of a developing country in connection with the preparation of reports. The report process affords the Bank a chance to influence policy formulation. The Bank may also proceed by means of a more determined effort to persuade a government to accept its policy position. The Bank may accelerate pressure by making it clear a country will receive a loan only if specified conditions are met.<sup>19</sup>

Industry presently enters into the World Bank's project approach by serving as consultants to or by supplying goods and/or services for projects. Private sector consultants may be retained either by the Bank itself or by the Bank's borrowers in connection with a Bank-financed project. The Bank typically retains outside counsel on studies financed by grants made by the Bank or by the United Nations Development Programme.<sup>20</sup> Apart from Bank projects, firms have been involved in various types of consulting activities. For instance, after a country nationalizes a foreign-owned enterprise, it may contact the Bank for help in running the operation. The Bank may suggest that the country bring in the private expertise, even the former foreign owner, on a management contract.<sup>21</sup>

To maintain the support of Western nations, the World Bank generally requires borrowers to obtain goods and services for Bank-financed projects through international competitive bidding open to suppliers in

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GROUP, POLICIES AND OPERATIONS 47-50 (Sept., 1974). Business executives generally view the establishment of priorities in public sector financing bodies, such as the World Bank, and the determination of the merits of proposals, as part of a broader "political" process. Among other cooperative programs between the Bank and various agencies of the United Nations, the FAO and the World Bank participate, by sharing the cost of professional staff, in a cooperative program for the identification and preparation of investment project proposals. Recently, the FAO/IBRD Cooperative Program has shifted from a parachuting concept—dropping a number of people into a country for three to four weeks who "lay things out" for a nation—to a bus stop technique—more frequent visits by fewer experts with the aim of: (1) promoting more preparation by a nation in the dialogue with the FAO/World Bank staff, which may relegate the outside experts to the role of resource people; and (2) strengthening local institutions and identifying more local personnel capable of handling implementation, particularly among those who have participated in the preparation of a project. Interview with Donald Pickering, World Bank (June 3, 1976). *See also*, THE WORLD BANK QUESTIONS AND ANSWERS 7-8 (March, 1976).

<sup>19</sup> Interview with Donald Pickering, World Bank (June 3, 1976). *See also*, T. HAYTER, AID AS IMPERIALISM 72-73 (1971). *Compare*, THE WORLD BANK, QUESTIONS AND ANSWERS 20 (March, 1976).

<sup>20</sup> WORLD BANK, USES OF CONSULTANTS BY THE WORLD BANK AND ITS BORROWERS 1-2 (April, 1974).

<sup>21</sup> Interview with Frank E. Martin, Unilever (May 4, 1976). The example he cited involved the Government of Zaire.

the Bank's member countries as well as Swiss suppliers. To stimulate the growth of local industries the Bank protects domestic bidders in a borrowing country by allowing a margin of preference for local goods or services.<sup>22</sup>

Business executives complain about the Bank's procedures in awarding consulting contracts and the rigidity and bureaucratic mentality of the Bank's staff. Firms with the capability to provide consulting, design, and supply functions are particularly critical of the Bank. The Bank compiles a so-called short list of not more than five firms and then invites these firms to submit proposals for Bank-retained consultants. This short list is based upon firms which have expressed an interest in providing their services, the Bank's file of firms with capabilities in various fields,<sup>23</sup> and performance evaluations on file in the Bank regarding activities of firms on previous projects in which the Bank was involved. A recipient government or agency may also make deletions or additions to the Bank's proposed list.<sup>24</sup> The Bank's network of contracts with well-connected firms makes the obtaining of consulting contracts nearly impossible particularly for new firms.

As the private sector plans to look increasingly to the public sector for funding, the rigid rules of the Bank, at least as perceived by business executives, constitute a major impediment. A key problem is the Bank's policy against allowing a firm, if it acts in a consulting or design capacity, from participating in any other capacity on the same project.<sup>25</sup> The ratio-

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<sup>22</sup> Interview with Donald Pickering, World Bank (June 3, 1976); *THE WORLD BANK, QUESTIONS AND ANSWERS* 18 (March, 1976); *THE WORLD BANK GROUP, POLICIES AND OPERATIONS* 53-54 (Sept., 1974). For example, The World Bank is lending the Government of Tanzania \$21 million to develop cashew processing plants in Tanzania to be owned by the Cashewnut Authority of Tanzania. CashewNut Development Project Loan Agreement (Loan No. 1014 TA), June 24, 1974, between United Republic of Tanzania—International Bank for Reconstruction and Development; CashewNut Development Project Agreement (Loan No. 1014 TA), June 24, 1974, International Bank for Reconstruction and Development—Cashewnut Authority of Tanzania. Interview with Richard Stern, World Bank (June 3, 1976). The successful bidder for the machinery and consulting services contracts was Oltremare S.p.A. which has been involved in selling cashewnut processing machinery to Tanzania and helping Tanzania develop a profitable, efficient cashewnut processing and exporting business. The new facilities which will be managed by local personnel, will lessen or eliminate the need for Tanzania to export cashewnuts to India for processing. India has in the past "squeezed" Tanzania because Tanzania lacked the facilities to locally process its entire crop. Interview with Dr. Luigi Deserti, President, Oltremare S.p.A. (May 22, 1976).

<sup>23</sup> For an example of a firm's response to the Bank's request for details regarding consultancy capabilities and experience, see Letter from A. J. Maier, Planning and Business Area Director, Plant Protection Division, Imperial Chemical Industries Ltd. to International Bank for Reconstruction and Development (Attention: B. H. deZoysa, Chief, Consultant Section) (July 16, 1974).

<sup>24</sup> *WORLD BANK, USES OF CONSULTANTS BY THE WORLD BANK AND ITS BORROWERS* 12 (April, 1974).

<sup>25</sup> *Id.* at 4

nale seems apparent—a corporation may design a project or advise a line of action favoring goods or services of that firm. However, the Bank's staff indicated that Bank rules are in fact flexible on this point. If a corporation serves as an engineering or design consultant, it is not automatically disqualified from bidding for the tender of goods and services, although such corporation will be "looked at carefully" in the subsequent bidding stages.<sup>26</sup> Despite the rules of the World Bank's Operating Manual, corporations, in practice, apparently have encountered a more automatic disqualification procedure which they would like ameliorated by the adoption of "less formalistic awarding procedures."<sup>27</sup>

International businessmen also criticize the traditional approach, the interminable analyses, and prolonged bidding procedures used by the World Bank in its project conceptualization and analysis. Corporate executives think that excessively long periods are required for the implementation of Bank projects. International funding agencies generally have segmented feasibility, design, and construction functions into separate stages with awards to different organizations. The segmentation of projects usually results in long intervals between the various stages. Both varying responsibilities of contractors and passage of time lessen the success of a project. The costs of feasibility studies which quickly become obsolete, changes in conditions, and variations from design to construction stages further spiral the cost of a project. The separation of responsibilities may give rise to unforeseen additional costs stemming from a design that may ignore construction processes; the execution of a project may not consider subsequent operation and maintenance requirements.<sup>28</sup>

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<sup>26</sup> Interview with Donald Pickering, World Bank (June 3, 1976). Mr. Pickering advised the author that in accordance with the procedures of the World Bank, a copy of this section of the World Bank's Operating Manual could not be made public.

<sup>27</sup> IMPRESIT, NOTE ON A NEW APPROACH TO AGRICULTURAL PROJECTS, EXECUTIVE COMMITTEE MEETING, INDUSTRY COOPERATIVE PROGRAMME 3 (October 30-31, 1975). The behavior of an organization generally follows preestablished rules and procedures—so-called standard operating procedures. See G. T. ALLISON, *ESSENCE OF DECISION EXPLAINING THE CUBAN MISSILE CRISIS* 81-87 (1971).

<sup>28</sup> See, e.g., FIAT S.P.A., DELEGATION REPORT, INDUSTRY COOPERATIVE PROGRAM, GENERAL COMMITTEE MEETING, ICP 1-3 (February 18, 1976). In comment on the interminable economic analyses, Impresit (Fiat) notes:

In many situations agricultural investment is clearly shown to be convenient or so patently necessary that protracted, theoretical, debatable and sterile economic analyses have a function of mere bureaucratic satisfaction, either formal or intellectual. They absorb large expenditures of energy and time and influence only marginal aspects of operative decisions. Had World agricultural development been fundamentally directed by traditional economic analyses, the world would still be almost only forest and desert, and those few economic analyses that have justified agricultural investments gather dust in filing cabinets, to become obsolete in the span of a few months.

IMPRESIT (FIAT), NOTE ON A NEW APPROACH TO AGRICULTURAL PROJECTS, EXECUTIVE COMMITTEE MEETING, INDUSTRY COOPERATIVE PROGRAMME 2 (October 30-31, 1975).

In several instances, industry attempted to devise new techniques in conjunction with more flexible public financing sources to overcome the negative aspects of the traditional procedures. A most notable example is the Bakolori project in Nigeria which involves the design and construction of a dam and a supply canal connecting an irrigation and land reclamation area. On the Bakolori project, the design and construction responsibilities for the land reclamation and irrigation projects are centered in one firm, Impresit Bakolori (Nigeria) Ltd., a joint venture composed of the two shareholders, the Federal Government of Nigeria and Impresit S.P.A., a consulting implementing arm of Fiat. This arrangement avoids the gap between design and construction and the concomitant refusal of any one organization, under traditional procedures, to assume overall responsibility. Also, allowing different stages of the project to overlap in sequencing reduced the time between conception and construction.<sup>29</sup> Only a relatively short period of time, slightly over one year, elapsed from the commencement of feasibility studies to the start of construction of the Bakolori project. However, the project relied on an eight year FAO feasibility study. Whether the Bank will overcome a tendency to function by traditional methods and operating manuals, and flexibly respond to private sector initiatives and inventiveness is problematic.

The World Bank procedures, moreover, may limit private sector bidding, particularly by smaller firms. One executive sought to secure the names of the Bank's project managers in a country in order to send materials to such managers. This attempt met a negative response from the Bank's staff. To avoid offending the local government by appearing to promote United States private corporate interests, the Bank refused to provide the requested names. The corporation was left with three options: going directly to the country, hiring a local agent with the attendant possibilities of corruption, or making high-level contacts at the World Bank. The firm pursued the final alternative to cut through the "red tape."

A significant obstacle exists to multinational firms tapping public sector moneys, namely, a lack of knowledge by corporations of public sector project preparation and bidding procedures. Business executives are slowly gaining experience in dealing with public sector financing organizations. The Inter-American Development Bank has taken the lead in train-

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<sup>29</sup> FIAT S.P.A., DELEGATION REPORT, INDUSTRY COOPERATIVE PROGRAM, GENERAL COMMITTEE MEETING, ICP 3-6 (February 18, 1976). *See also*, IMPRESIT, NOTE ON A NEW APPROACH TO AGRICULTURAL PROJECTS, EXECUTIVE COMMITTEE MEETING, INDUSTRY COOPERATIVE PROGRAMME (October 30-31, 1975). Interview with Dr. V. Bonisconti, Fiat S.p.A. (May 15, 1976). The Bakolori project also includes a residential complex, training centers for training, facilities for servicing machinery, equipment, and roads, and an electricity network. Although the project envisages the establishment of agribusiness facilities, such as a sugar factory, tomato processing plant and rice and flour mills, the contractor has focused its attention on the dam and irrigation project.

ing professionals from borrower nations in the identification, selection, preparation, and execution of bankable projects. These training programs have not to date included corporations. To meet this need, the management of the Inter-American Development Bank is assessing a staff proposal for a joint Inter-American Development Bank-World Bank Agro-Industrial Project Preparation Program which would include observers from both public and private entities in developed countries who could contribute to the course.<sup>30</sup> Rather than including executives from private firms in the regular training programs for trained personnel that are aimed at meeting the needs of developing nations, public sector agencies could organize a special course of short duration for private firms' executives designed to acquaint them with project identification, preparation, appraisal, and implementation.

In addition to tapping international public sector funds, business has been actively involved in using national bilateral foreign assistance by industrialized nations to developing countries as a means of government subsidization and export promotion.<sup>31</sup> Expenditure of bilateral development assistance funds has generally been tied to the purchase of the goods and services of the donor country's private sector. Within the context of meeting development needs, or other similar donor guidelines, corporations worked closely with recipient nations. A corporation, under this system, helped a developing country to draw up and present a proposal to the corporation's home government which included, of course, products manufactured and/or services provided by the firm. On more than a few occasions, a firm also discussed a project with its home government as a part of the donor government's decision-making process.<sup>32</sup>

Reacting to criticisms that tied development assistance furthered corporate objectives rather than social goals in developing countries, several countries in Western Europe (*e.g.*, the Netherlands) have untied foreign aid. A significant problem still exists. Developing nations lack the knowledge and expertise to define their problems. Corporations still assist recipient countries in defining problems and suggesting the sale of goods

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<sup>30</sup> Interview with Frank Meissner, Division of Agricultural Development Projects of the Inter-American Development Bank (June 4, 1976). *See also*, speech by Frank Meissner, Division of Agricultural Development Projects, Inter-American Development Bank, Role of Development Banks in Structuring and Implementing Agricultural Projects in The International Food Delivery Systems Symposium 44-45 (Sept., 1975). (University of California Berkeley).

<sup>31</sup> Earlier critical analyses include H. MAGDOFF, *THE AGE OF IMPERIALISM, THE ECONOMICS OF U. S. FOREIGN POLICY*, 122-144 (1969). T. HAYTER, *AID AS IMPERIALISM* 87-98 (1971). *See also*, M. VON NEUMANN WHITMAN, *GOVERNMENT RISK-SHARING IN FOREIGN INVESTMENT* (1965). *See generally*, Hyson & Strout, *Impact of Foreign Aid on U. S. Exports*, 46 *Harv. Bus. Rev.* 63 (1968).

<sup>32</sup> Interview with W. A. DeJonge, Bureau for External Economic Relations, N. V. Philips' Gloeilampenfabrieken (May 12, 1976).



and/or services as part of a donor government's new thrust to meet basic social problems. A recipient nation presents the project to a donor with a corporation still getting in on the ground floor. An initial sale of goods or services forms part of a corporation's long-term aim of selling more sophisticated goods and services. By assisting a developing country in meeting its basic needs, a firm hopes to gain the goodwill and acceptance of a government requisite to the later sale of higher profit items.<sup>33</sup>

#### IV. NEW STRUCTURAL APPROACHES: SYSTEMS ANALYSIS AND CONSORTIUMS

Business executives have pursued innovative structures to facilitate participation by multinational firms in the agribusiness sector of developing countries. Prime examples of possible new techniques are contractual arrangements linked to the achievement of specified development goals and multi-firm consortiums. Corporations may increasingly encounter countries where neither direct foreign equity investment nor current consulting or management contracts are appropriate. A host government's policies, an inadequate or excessively risky return, or a combination of both may block foreign private direct investment or other forms of involvement. The public or private sector of a host nation may regard the agreements for consulting services and/or management even without any equity investment as of limited value to the host nation. A nation may feel that a firm transfers its best technology and management only where such entity has a financial stake beyond a consulting arrangement. To utilize the technological, management, production, and marketing expertise in such situations, multinational corporations may suggest the use of management contracts linked to the achievement of development goals. Payments under such contracts could be based on both the fulfillment of a nation's long-term development objectives and the ongoing costs of the project to the firm. A firm would derive revenue from the achievement of interim goals during the contract period. Presumably this would act as an incentive for the company to apply its best expertise. Industry would have the time and security to perform properly. A nation would have tangible evidence of a firm's progress to meeting specified goals. A government may also wish industry to participate in a project through a non-equity investment. Given a contract of sufficient duration, such an arrangement would evidence a corporation's financial good faith.

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<sup>33</sup> *Id.* As an example of its highly sophisticated approach, Philips has stressed that developing countries need a communications expert. The initial software sales by other firms will lay the groundwork for hardware sales by Philips. See, N. V. Philips' Gloeilampenfabrieken, National Communication and Programming Center, n. d.

Executives approach agribusiness as a system, with numerous components, requiring the expertise of many firms on a project. A systems approach "conceives of entities as wholes marked off from the environment by boundaries and containing subparts whose interactions are conditioned by the presence of the other subparts (subsystems). The action of the whole can be understood only by knowledge of the interaction of all the parts."<sup>34</sup> A systems concept of agribusiness<sup>35</sup> starts from the premise that the food chain is a seed-to-consumer system linking together actors and actions. The pieces of the system do not exist in isolation. Sections taken at one point in the system impact on other components of the system. For instance, an irrigation system consists of several subsystems: storage, transmission, distribution and the extraction of water. Analysis must, therefore, focus on the linkages and interdependencies of an agribusiness system.

The commercial applicability of a systems approach to agribusiness leads in turn to the concept of a multi-company consortium that, from the outset, would be put together to tackle a problem. A vertically integrated dairy industry project in a developing country might involve the following inputs from a number of corporations: land cultivation (machinery manufacturers), land fertilization (fertilizer corporations), fodder pro-

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<sup>34</sup> NATIONAL ACADEMY OF SCIENCES, REPORT OF AN AD HOC PANEL OF THE BOARD ON SCIENCE AND TECHNOLOGY FOR INTERNATIONAL RELATIONS COMMISSION ON INTERNATIONAL RELATIONS, SYSTEMS ANALYSIS AND OPERATIONS RESEARCH: A TOOL FOR POLICY AND PROGRAMME PLANNING FOR DEVELOPING COUNTRIES 9 (1976).

<sup>35</sup> Agribusiness may best be understood as a total system involving an interaction of numerous parts. A leading agribusiness academic spokesman defines the agribusiness system as follows:

An agribusiness commodity system encompasses all the participants involved in the production, processing, and marketing of a single farm product. Such a system includes farm suppliers, farmers, storage operators, processors, wholesalers, and retailers involved in a commodity flow from initial inputs to the final consumer. It also includes all the institutions which affect and coordinate the successive stages of a commodity flow such as the Government, futures markets, and trade associations.

R. GOLDBERG, *AGRIBUSINESS COORDINATION*, 3 (1968) as quoted in J. MORRISSEY, *AGRICULTURAL MODERNIZATION THROUGH PRODUCTION CONTRACTING*, 16 (1974). See also, R. GOLDBERG, *AGRIBUSINESS MANAGEMENT FOR DEVELOPING COUNTRIES—LATIN AMERICA* (1974); J. AUSTIN, *AGRIBUSINESS IN LATIN AMERICA* (1974). A systems approach to agribusiness constitutes the central operational policy of the Latin American Agribusiness Corporation S. A. LAAD attempts to fill gaps in the agribusiness process. For example, LAAD created and implemented a Miami-based flower forwarding firm after Central American firms financed by LAAD encountered problems in transferring flowers from one airline to another airline, or to flower wholesalers. See also, CHEECHI AND COMPANY, *EVALUATION OF LATIN AMERICAN AGRIBUSINESS DEVELOPMENT CORPORATION*, Washington 10 (July, 1974) (Submitted to Development Bank's Division, Office of Development Resources, Bureau for Latin America, Agency for International Development. Contract Number AID/CM/otr-C-73-199 Work Order No. 4).

duction (seed, pesticides and machinery firms), fodder storage and processing (equipment and farm building companies), dairy cattle (animal breeders and producers of animal health products), milking areas (farm building and milking equipment companies), milk processing (milk processors and container manufacturers), product transportation (transport manufacturers), and waste disposal (waste processors).<sup>36</sup> The system requires, of course, expert coordination for its implementation and operation. What is needed is an independent, catalytic organization which could perceive the interdependencies, which few corporations are aware of, and thereby facilitate the integration process.

The rationality of a systems approach, namely, a project may require resources beyond the expertise and commitment of any one multinational firm, regardless of size, belies a number of problems from the standpoint of both corporations and catalytic organizations. A systems approach may be easier for a project, such as sugar or pineapple, which aims at local production and processing for export. American firms, with a position in the foreign (U.S.) market, are familiar with the system and can purchase inputs, *e.g.* fertilizer, at world market prices. Extending the approach to a local agricultural self-sufficiency in basic crops through an integrated package of inputs (seeds, fertilizers, pesticides, equipment and credit) provided by a number of firms may pose many problems. Corporations must overcome unfamiliarity with a non-export oriented system. Antitrust considerations may also enter into hesitancy of American corporations to participate in a consortium. Industry also views consortiums as demanding too much of management time. Legal and financial complexities are too high for the return obtained.<sup>37</sup>

In light of these impediments, from the corporate viewpoint, there were few successful consortium projects. A notable exception was an agricultural venture designed to reclaim a region of Iran from the desert by irrigation, while an integrated complex was created for the production, processing and distribution of field crops and livestock. The consortium, the International Agribusiness Corporation of Iran, included the American firms (Hawaiian Agronomics Company (International), Chase International Investment Corp., and Diamond A Cattle Company), as well as Mitsui and Co. of Japan, and Iran enterprises (Ahwaz Beet Sugar Factory and Refinery Company Limited, Iranian Agricultural Development Bank, and the Khuzestan Water and Power Authority). Hawaiian Agronomics had been the managing partner of the consortium in which all members were shareholders. Chase and the Agricultural Development Bank of Iran were the lenders. Areas of functional authority were segmented—the

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<sup>36</sup> Interview with J. I. Hendrie, Member, ICP Executive Committee (May 6, 1976).

<sup>37</sup> Telephone conversation with Charles Dennison, retired Vice President, International Minerals & Chemical Corp. (June 28, 1976).

Khuzestan Water and Power Authority leased the land and supplied water to the project; The Ahwaz refinery processed all sugar beets produced; Diamond A provided cattle and livestock expertise; Mitsui was both a supplier to and a purchaser of products from the enterprise.<sup>38</sup>

A catalytic organization undertaking a consortium arrangement encounters a variety of obstacles. The catalytic group may face two or more companies with different approaches to the system or the supply of any one input. Firms may simply disagree. Corporations may also have different objectives. A mechanism would be required to resolve such disputes. Even if two or more firms agree on an approach, the catalytic organization must select the firm to provide a given input. To surmount the obstacles of parceling out a project and bringing in firms to handle slices appropriate to each firm's expertise, requires a staff skilled in project implementation and management. The Citibank International Development Corp., as a consultant, currently packages multi-corporation agribusiness projects in developing countries. To undertake these activities Citibank employs a staff composed of experts in finance (including sources of financing and corporate finance techniques), management consulting to make studies and structure deals, and a technical director (a civil engineer) who will interface with construction and engineering experts.<sup>39</sup>

A catalytic organization would require additional personnel to put together a consortium involving corporations and public sector financing thereby increasing an organization's budget. To meet the expertise hurdle, an outside consultant could be engaged to implement consortium projects. The catalytic organization would also be required to get actively involved in negotiations among the constituent corporations and between the consortium, a developing nation and a possible public sector financing source. All of these problems may incline a catalytic organization to avoid the implementation and management of a consortium project.

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<sup>38</sup> Interview with Graham Williams, Overseas Private Investment Corporation (June 1, 1976); OVERSEAS PRIVATE INVESTMENT CORPORATION, ANNUAL REPORT 25 (1975). Letter from R. W. Mist, Vice President, Hawaiian Agronomics Company (International) to author (July 7, 1976). Another successful consortium is the fertilizer project in India involving Chevron Chemical Company (a subsidiary of Standard Oil Company of California), International Minerals & Chemical Corp., and E.I.D. Parry, Ltd., (a private Indian corporation). For an analysis of the venture, see W. FRIEDMANN & J. BEGUIN, JOINT INTERNATIONAL BUSINESS VENTURES IN DEVELOPING COUNTRIES CASE STUDIES AND ANALYSIS OF RECENT TRENDS ch. X (1971). Another joint effort involves a Brazilian subsidiary of the International Basic Economy Corp. and an Australian seed firm (Arthur Yates & Co. Pty. Ltd.) in the marketing of pasture seed for beef herds in Brazil. Telephone conversation with J. C. Tyler, Jr., Vice President, International Basic Economy Corp. (July 13, 1976).

<sup>39</sup> Interview with John Botts, Citibank International Development Corp., First National City Bank (London) (May 3, 1976).

## V. CONCLUSION

This article has examined multinational agribusiness corporations and the problems they pose for a developing country. Multinational firms skew a country's developmental priorities and focus on corporate objectives rather than social goals.

Multinational corporations are becoming more flexible in structuring their activities in the Third World, and new business approaches and arrangements are being employed. Two possible routes exist by which to channel the agribusiness corporate expertise into projects to provide social benefits. First is the triangulation strategy in which private management, marketing and technological expertise is linked with public sector financing or national bilateral foreign assistance by industrialized nations. This helps the multinational firms to reduce the risks and uncertainties of foreign direct investment. The second is a systems technique and consortium approach. This latter approach grows out of the awareness that no single corporation may desire or be able to provide all the requisite expertise necessary to implement a business project.